PUBLIC SERVICE COMMISSION
STATE OF MONTANA

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January 28, 2014

Mr. Patrick R. Corcoran, Vice President
Government and Regulatory Affairs
NorthWestern Energy
40 East Broadway
Butte, MT 59701

RE: Data requests in Docket D2013.12.85

Dear Mr. Corcoran,

Enclosed please find data requests of the Montana Public Service Commission to NorthWestern Energy (NWE) numbered PSC-068 through PSC-083 in the above-referenced Docket. Please begin the response to each new numbered data request on a new page. Please provide responses by February 11, 2014. If you have any questions, please contact me at (406) 444-6191.

Sincerely,

Neil Templeton
Regulatory Division
Montana Public Service Commission

Service Date: January 28, 2014

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER OF NorthWestern Energy's Application for Approval to Purchase and Operate PPL Montana's Hydroelectric Facilities, for Approval of Inclusion of Generation Asset Cost of Service in Electricity Supply Rates, for Approval of Issuance of Securities to Complete the Purchase, and for Related Relief	))))	REGULATORY DIVISION DOCKET NO. D2013.12.85

DATA REQUESTS PSC-068 THROUGH PSC-083 OF THE MONTANA PUBLIC SERVICE COMMISSION TO NORTHWESTERN ENERGY

PSC-068

Regarding: Hydro sales process
Witness: Bird

a. Please provide a copy of the communication referenced at 8:14-19.

b. Did PPL place a negative value on its coal assets in Montana?

c. Please provide a copy of the communication referenced at 9:17-20.

d. In your estimation, what advantage did PPL gain by accepting an offer from NWE for only the Hydros – a sale process which would likely take 9-12 months to complete with uncertainty that it could be actually be consummated – in lieu of initiating a competitive solicitation with the knowledge that NWE would likely be one of multiple bidders in a competitive process?

e. Did NWE approach PPL about the possibility of allowing NWE to run a competitive process in accordance with ARM 38.5.8212(2)? If so, what was PPL's response?

PSC-069

Regarding: NWE Procurement Strategy
Witness: Hines

a. If NWE acquires the Hydro assets, how will it contract to dispose of excess power prior to the expected transfer of Kerr to the Confederated Salish and Kootenai Tribes? Please be specific with respect to potential buyers, delivery locations (on or off-system), and other relevant contract preferences including term and price conditions.

b. If NWE acquires the Hydro assets, how will it contract to meet its peak load obligations following the expected transfer of Kerr to the Confederated Salish and Kootenai Tribes? Please be specific with respect to potential sellers, delivery locations (on or off-system), and other relevant contract preferences including term and price conditions.

c. Would NorthWestern investigate and pursue an opportunity to purchase electricity at Kerr if the Confederated Salish and Kootenai Tribes provide such an opportunity?

PSC-070

Regarding: Terminal Value of Hydros
Witness: Stimatz

On p.16 of your direct testimony you argue that ownership of the Hydros includes the extremely valuable right to generate electricity at those locations.

a. Prior to the most recent relicensing of Kerr, the Confederated Salish and Kootenai Tribes filed an alternate application for license, and eventually won the unilateral opportunity to purchase Kerr at a cost that you estimate at $30 million. Is this expected transfer price of Kerr in line with 7.5 times 2014 EBITDA?

b. Have you estimated probabilities that other individuals or entities may file for competing licenses to operate or acquire some control over the operation of the remaining Hydros?

c. Given NorthWestern's uncertainty regarding carbon costs and other unknown regulatory costs, what is the source of its certainty regarding the extreme value of the rights to generate electricity at the Hydros locations in 2033?

d. Are any of the Hydros other than Kerr situated on federal lands or in position to impact resources under federal jurisdiction? If so, is there significant risk that other federal agencies will interfere with NorthWestern's control of operations?

PSC-071

Regarding: Terminal Values of Hydros and Gas Plant
Witness: Stimatz

a. On p.15 of your direct testimony you state that the terminal value of the Hydros discounted to 2013 is approximately $290 million. Page 6-5 of the 2013 Procurement Plan estimates the net present residual value of the Hydros at $212 million. Please explain this discrepancy.

b. Page 6-5 of the 2013 Procurement Plan estimates the net present terminal value of a combined cycle gas plant to be $9 million. Did NorthWestern multiply EBITDA by 7.5 similar to the Hydros calculation?

c. Please provide all electronic worksheets, assumptions, and other evidence used to estimate net present terminal value of the combined cycle plant.

PSC-072

Regarding: Carbon Price Forecast
Witness: Stimatz

a. The response to PSC-015(a), while informative, does not indicate why NWE selected 2021, as opposed to some later year, for a carbon price to take effect. Please provide more detail, including supporting sources that you relied upon, to describe why 2021 was selected.

b. Why were PowerSimm scenarios that assumed different onset dates for a carbon price not run with the modeling software?

PSC-073

Regarding: Carbon Price Forecast
Witness: Stimatz

The response to PSC-015(e) directs the Commission's attention to Figure 6-11 on page 6-27 of the Plan.

a. Please provide the underlying data in Excel format for each carbon price curve represented on this figure.

b. Provide a full bibliography of the sources which are the foundation of this data, including the title or name of the document, the page or section reference to the establishment of a carbon price forecast, and the location online (if available online) where the document may be found.

c. Were any carbon price forecasts considered but not included in the representation on Figure 6-11?

PSC-074

Regarding: DCF model
Witness: Stimatz

a. NWE testified it has forecasted its planned investment levels for the hydros over the next 30 years (*See* JDH-27). Explain why your DCF model analyzed 20 years of cash flows prior to the incorporation of a termination value instead utilizing 30 years of cash flows prior to the incorporation of a termination value for the hydros.

b. How did NWE calculate the uptick in expected generation from Rainbow and Cochrane in the DCF analysis?

c. Has NWE ever used the same method to calculate future electricity market prices which was utilized in the Stimatz DCF analysis (i.e., the longest forward looking Mid-C electric price strip available with an annual escalation thereafter)? If so, in which dockets did NWE utilize this method?

PSC-075

Regarding: Carbon adder
Witness: Stimatz

a. In the 2013 plan, NWE added CO_2 costs to the electricity market price by multiplying the assumed carbon tax by 0.6. (*See* 2013 Plan p. 6-28). Stimatz calculated a CO_2 adder in his DCF analysis using a projected market heat rate. Please explain the discrepancy in methods used to calculate carbon costs.

b. Please provide DCF analysis using the 0.6 carbon adder from the PowerSimm analysis in the 2013 Plan rather than a projected market heat rate carbon adder.

PSC-076

Regarding: Unanticipated Capital Expenditures
Witness: Rhoads

You seem to state in response to PSC-018(b) that "unanticipated" work like that on the Hebgen intake structure is not incorporated into the long-term cap-ex forecast.

a. How does the cap-ex forecast incorporate the cost of occasional, but unanticipated, capital expenditures?

b. How are these unanticipated expenditures modeled in the levelized price, if at all?

PSC-077

Regarding: Cap-Ex Comparisons to Other Hydro Facilities
Witness: Rhoads

a. Explain why NWE "did not check the future cap-ex requirements of the hydros against other *similar* hydro facilities in the United States and elsewhere" [emphasis added]?

b. Does NWE agree that the experience of other plants, which use the same manufacturer for dam components, would be informative for the purposes of due diligence?

c. How can NWE be sure that "the capital upgrade program is consistent with industry practice to maintain reliability" when NWE concedes, in response to PSC-029, that it has not compared the forecast capital upgrade program to any particular example in the industry?

PSC-078

Regarding: Cap-Ex Forecast
Witness: Rhoads

In response to PSC-027, you suggest the cap-ex budgets include spending for Madison (2020-23), Black Eagle (2020-23) and Hauser (2016-21).

a. What are these upgrades expected to cost?

b. Are these costs assumed to simply be incorporated (after 2017) into the generic $8.5 million escalating forecast?

c. Why is it not more appropriate to create a specific adder representative of the costs of these upgrades?

PSC-079

Regarding: Possibility of Requirement for Large Upgrades
Witness: Rhoads

a. In relation to your response to PSC-027, does NWE disagree with the premise that upgrades that are not undertaken for the sake of cost-effectiveness may nonetheless be required by an agency such as the FERC as a condition of regulation, such as hydro re-licensing?

b. Is it NWE's contention that the Rainbow Upgrade was undertaken as a cost-effectiveness project?

c. Please confirm that neither the future cap-ex forecast embedded in the LT Rev Req nor the PowerSimm stochastic modeling effort takes into account the potential for the cost of an out-of-the-money upgrade, such as that described in (a)?

PSC-080

Regarding: Environmental Liabilities
Witness: Rhoads

a. Is the $1 million cost to demolish the Rainbow powerhouse, described in response to PSC-030, the only environmental issue–related cap-ex that NWE expects to make? If not, please explain how those costs are forecast.

b. How were the allowances for environmental liabilities described in response to PSC-031 arrived at?

c. Is it possible to stochastically model the risk of a possible environmental liability that may or may not occur—for instance, the listing of the arctic grayling—and quantify the risk?

PSC-081

Regarding: Costs of Forced Outages
Witness: Rhoads

In relation to your response to PSC-032, do O&M, A&G, and cap-ex budgets include assumptions about the costs to remedy plants in the wake of forced outages and to get them operational once more?

PSC-082

Regarding: 2013 Procurement Plan
Witness: Unknown

a. NWE's 2011 plan evaluated approximately 70 portfolios while the 2013 plan analyzes only 3 portfolios. What was the advantage, if any, to evaluating a fewer number of portfolios in the 2013 plan?

b. What was the incremental cost to NWE to include additional portfolio(s) in its PowerSimm analysis? Explain how the incremental cost is calculated.

c. Explain what circumstances changed that caused NWE to model an air-cooled CCCT in its 2013 plan instead of the water-cooled CCCT included in its 2011 plan.

PSC-083

Regarding: 2013 Plan – distributed generation
Witness: Unknown

a. NWE's load forecast does not include distributed generation (*See* 2013 Plan p. 4-2). Does NWE make an attempt to account for distributed generation in its analysis in any part of the 2013 plan? If so, please explain.

b. Has distributed generation grown in Montana over the last 15 years? If so, by how much? Please cite any sources used to inform the answer.

c. Has distributed generation grown in the Pacific Northwest over the last 15 years? If so, by how much? Please cite any sources used to inform the answer.

d. Is distributed generation expected to increase in Montana? Please cite any sources used to inform the answer.